

Muskegon Central Dispatch 9-1-1
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended September 30, 2008

Muskegon Central Dispatch 9-1-1

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As management of Muskegon Central Dispatch 9-1-1, we present to the readers of the Organization's financial statements this overview and analysis of the financial activities of Muskegon Central Dispatch 9-1-1 for the fiscal year ended September 30, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- The Organization's net assets decreased by \$299,171 (5.7%) from \$5,206,355 to \$4,907,184.
- The Organization is in the midst of finishing significant capital improvements. These improvements have been made in phases, with each phase being funded by a separate contract payable with the County. These contracts payable will be repaid by a property tax millage that is reserved for debt retirement.
- One of the original first phase projects included the installation of a county wide fiber optic network and the purchase of an integrated public safety data software package. A contract payable in the amount of \$2,839,041 was entered into December 2003 for those related expenditures. The fiber optics portion has been completed. The software solution vendor was terminated and that contract has been in the process of litigation through arbitration. The arbitrators opinion on damages against Muskegon Central Dispatch was received at the end of November 2008 indicating a remaining balance of \$452,579. This decision will be challenged in federal court. An agreement with an alternative vendor was reached in November of 2006 and that system became operational in October of 2007.
- Two of the final projects involving the radio system upgrade and the wireless connectivity to support the mobile data computers have been deferred into the 2007-08 fiscal year budgets. The radio system received final acceptance February 2008 and the wireless connectivity project has signal issues that are still being resolved.
- The unspent contracts payable proceeds are maintained in a restricted bank account where invoices are paid as expenditures are incurred. The restricted account balance is invested in a money market account that earns a low rate of interest to reduce the cost of borrowing the money. The restricted account balance represents funds available for capital purchases in future phases of the project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts - *management's discussion and analysis (this section), the basic financial statements, and required supplementary information.* The basic financial statements include information that presents two different views of the Organization.

- The first column of the financial statements includes information on the Organization's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Organization's sources and uses of funds.

- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Organization's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Organization as a whole and present a longer term view of the Organization's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Organization. The net assets may be used as an indicator of a government's financial health. As of September 30, 2008, the Organization's net assets totaled \$4,907,184.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., equipment). These assets are used to provide services to the Organization's members, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$1,734,654. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets		
	<u>2008</u>	<u>2007</u>
Current assets and other assets	\$ 2,370,115	\$ 3,489,031
Capital assets	<u>5,207,748</u>	<u>5,460,215</u>
Total assets	<u>7,577,863</u>	<u>8,949,246</u>
Current liabilities	1,751,697	1,965,857
Noncurrent liabilities	<u>918,982</u>	<u>1,777,034</u>
Total liabilities	<u>2,670,679</u>	<u>3,742,891</u>
Net assets		
Invested in capital assets, net of related debt	3,164,212	3,134,466
Restricted	8,318	285,227
Unrestricted	<u>1,734,654</u>	<u>1,786,662</u>
Total net assets	<u>\$ 4,907,184</u>	<u>\$ 5,206,355</u>

Management's Discussion and Analysis

Current and other assets decreased as the Organization expended money borrowed in previous years for capital improvements and also made payments on those loans. Capital assets decreased as depreciation exceeded current year capital asset additions. Current liabilities decreased as significant payables and retainage related to capital improvements in the previous year were paid off. Long-term liabilities decreased due to scheduled debt repayments. Restricted net assets decreased as the Organization spent restricted property taxes from prior years on allowable costs.

Change in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues		
Property taxes	\$ 1,311,374	\$ 1,249,655
Member assessments	1,396,864	1,408,279
Emergency telephone surcharge	593,300	617,641
Wireless surcharge	273,981	274,562
Wireless surcharge training	19,056	18,989
Charges for services	18,315	18,315
Investment earnings	95,478	185,244
Other	<u>57,237</u>	<u>24</u>
Total revenues	<u>3,765,605</u>	<u>3,772,709</u>
Expenses		
Personnel	1,755,959	1,680,419
Maintenance and operations	653,171	486,977
Interest on long-term debt	128,756	159,077
Depreciation and amortization	<u>979,311</u>	<u>602,804</u>
Total expenses	<u>3,517,197</u>	<u>2,929,277</u>
Change in net assets before extraordinary item	248,408	843,432
Extraordinary item		
Loss on arbitration	<u>547,579</u>	<u>-</u>
Change in net assets	(299,171)	843,432
Net assets at beginning of year	<u>5,206,355</u>	<u>4,362,923</u>
Net assets at end of year	<u>\$ 4,907,184</u>	<u>\$ 5,206,355</u>

Member assessments are based on population, taxable value and calls for service. They are charged to members' police and fire agencies in Muskegon County. For the past eight budget years, there has been a freeze on member assessments with the total revenues approximately the same. However, the individual member's contributions have changed slightly according to updated information applied to the formula.

The emergency telephone surcharge has seen a decrease but the wireless surcharge has increased as more individuals replace their home phone with a wireless phone or other devices which are now included in the surcharge as mandated by legislature and began its modified collection July of 2008.

Management's Discussion and Analysis

Investment earnings decreased as cash related to unspent loan proceeds decreased significantly.

Other revenue increased due to a reimbursement related to capital improvements.

Maintenance and operations expenses increased as the Organization is purchasing necessary maintenance contracts for its recently completed capital assets and also is incurring higher than normal legal costs as a result of a dispute with a vendor.

Depreciation and amortization saw an increase because the new equipment additions have begun depreciating.

The extraordinary item is in regards to an arbitration decision against the Organization. For more information, see note I of the "Notes to Financial Statements" of this report

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization has only one fund, the General Fund.

The focus of the Organization's fund is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Organization's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the General Fund reported a fund balance of \$1,549,796, a decrease of \$1,514,564. The decrease was primarily a result of loan proceeds from prior years being used to fund the third phase of capital improvements in the current year. The unreserved fund balance was \$1,166,536. Unreserved fund balance represents 25% of General Fund expenditures.

General Fund Budget

During the current fiscal year, the Organization made several amendments to its original budget. The most significant of those is listed below:

- The budget for emergency telephone surcharge revenues was decreased from \$587,000 to \$545,000 because previous projections were determined to be too high. It is also important to consider that the .72 per month charge on all wire line access in Muskegon County was lowered to .34 by state legislation on all access lines as of July of 2008. The reduction in the surcharge rate was mandated by the State and is expected to be made up by the additional devices now subject to the surcharge. As the surcharge amounts will continue to be received into the next budget year, the accuracy of the State's projections will continue to be monitored.
- The budget for professional services expenditures was increased from \$31,000 to \$204,737 because as the completion of Phase I, II and III projects occurred significant maintenance and support contracts were due in order to provide the best possible coverage for uninterrupted operations.

Management's Discussion and Analysis

- The budget for telephone expenditures was decreased from \$80,000 to \$26,000 because due to the physical relocation of our operations and upgrade of the phone system. The use of fiber optics as provided by the Phase I project allowed the disconnection of several expensive phone radio circuit lines previously necessary for system connectivity.
- The budget for equipment repair and maintenance expenditures was increased from \$209,764 to \$237,250 because, as the projects moved to completion, additional equipment maintenance contracts were required once the equipment became operational.
- The budget for capital outlay expenditures was increased from \$53,000 to \$251,059 because of additional purchases made to increase the functionality of the projects being implemented outside of the original scope of the projects as well as the expenses incurred with the physical relocation of the operations which was completed during October of 2007, the beginning of this fiscal period.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Emergency telephone surcharge revenues were over budget by \$48,300 because the projections under the new State surcharge legislation were unknown and collection was of surcharges was delayed into the early part of the next fiscal year budget as service providers were still coming into compliance with the ruling that took affect July of 2008.
- Investment earnings revenues were over budget by \$24,859 because the estimated returns exceeded the expectations of the Organization.
- Other revenues were over budget by \$57,137 because of grant money received by member police departments to make a purchase through the Organization for additional modules not included in the original improvements schedule.
- Contractual services expenditures were over budget by \$58,784 due to the purchase of additional items from grant money received by member police departments as noted above. In addition the cost of the wireless mobile unit installations exceeded the projected cost.
- Principal and interest and fees expenditures were over budget by \$111,388 and \$12,481, respectively, because the Organization was required to make eleven debt payments in the prior year and thirteen in the current year due to the way that the calendar fell. The Organization only budgeted for twelve payments.
- Capital outlay expenditures were over budget \$408,230 because the Organization failed to include certain expenditures in the approved budgets. Capital expenditures funded using restricted assets from prior year loan proceeds were overlooked in the budgeting process. This item will be given the proper attention in future budgets.

Capital Assets

Muskegon Central Dispatch 9-1-1's investment in capital assets as of September 30, 2008 totaled \$5,207,748 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture.

Capital asset additions this year included the completion of the radio project, the installation and activation of the mobile data computers for the police and fire departments, the physical move of operations and various other hardware and software upgrades to the entire system. Depreciation expense for the year was \$971,119.

Capital Assets

	Governmental Activities	
	2008	2007
Communications equipment	\$ 1,371,272	\$ 806,882
Computer equipment	4,721,895	5,114,665
Office equipment and furniture	41,625	41,625
Construction in progress	2,034,288	1,937,256
Total capital assets	8,169,080	7,900,428
Less accumulated depreciation	2,961,332	2,440,213
Total (net of accumulated depreciation)	\$ 5,207,748	\$ 5,460,215

Additional information on the Organization's capital assets can be found in note D of the "Notes to Financial Statements" of this report.

Long-Term Debt

At the end of the fiscal year, the Organization had total debt outstanding of \$1,856,982 in contracts payable and compensated absences. Long-term debt decreased by \$1,476,052 during the year due to scheduled debt repayments.

Additional information on the Organization's long-term debt can be found in note G of the "Notes to the Financial Statements" of this report.

General Economic Overview

The 2008-09 fiscal year budget will see the completion of the current millage projects that have been in progress with the possible exception of wireless connectivity of the mobile computer terminals. This portion of the project is functional, however, discussions with the vendor will continue into the next fiscal year involving final payment and contract language to cover the type of connectivity that was used which is not the same as provided for in the original contract. The remaining loan proceeds related to this portion of improvements will be held until all issues are resolved.

As noted earlier, costs incurred with the termination of the original software vendor will cause the Organization to spend monies beyond the original loan proceeds in order to complete the projects. The award granted by the arbitrator during litigation which includes interest, approximate legal fees and damages is nearly 1.1 million dollars. Credit for over \$518,000 was granted for invoices for the project from previous fiscal years that had already been paid leaving a remaining balance of approximately \$547,000. The liability and damage awards are being challenged in federal court through a petition to vacate and a decision from the Court is expected in early spring 2009.

Member assessments will remain frozen as member agencies state revenue sharing has decreased. The wireline operational surcharge continues to decrease and the wireless surcharge continues to increase as more home phone lines are disconnected and replaced by wireless phones. However, the impact of recent legislative changes to funding mechanisms, made in an attempt to distribute the surcharge burden across all devices, is still uncertain and will only become known as revenue arrives in the coming fiscal year.

There are no other significant planned changes anticipated for the operation of the Organization.

Requests for Information

This financial report is designed to provide a general overview of Muskegon Central Dispatch 9-1-1's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director's Office at Muskegon Central Dispatch 9-1-1, 770 Terrace Street, Muskegon, MI 49440-1219 or by phone at (231) 722-3524.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

December 12, 2008

Board of Directors
Muskegon Central Dispatch 9-1-1
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Muskegon Central Dispatch 9-1-1 as of and for the year ended September 30, 2008, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Muskegon Central Dispatch 9-1-1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Muskegon Central Dispatch 9-1-1, as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information on pages i - vii and 18 - 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muskegon Central Dispatch 9-1-1's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Muskegon Central Dispatch 9-1-1
BALANCE SHEET—STATEMENT OF NET ASSETS
September 30, 2008

	Balance Sheet - Modified accrual	Adjustments	Statement of Net Assets - Full accrual
ASSETS			
Cash and investments	\$ 1,655,967	\$ -	\$ 1,655,967
Accounts receivable	220,348	-	220,348
Due from other governmental units	57,069	-	57,069
Prepaid items	16,880	-	16,880
Restricted assets	413,229	-	413,229
Capital assets, net			
Nondepreciable	-	2,034,288	2,034,288
Depreciable	-	3,173,460	3,173,460
Bond issuance costs, net	-	6,622	6,622
Total assets	<u>\$ 2,363,493</u>	5,214,370	7,577,863
LIABILITIES			
Accounts payable	\$ 652,087	-	652,087
Accrued liabilities	59,185	-	59,185
Deferred revenue	102,425	-	102,425
Noncurrent liabilities			
Due within one year			
Bonds, loans and contracts	-	856,000	856,000
Compensated absences	-	82,000	82,000
Due in more than one year			
Bonds, loans and contracts	-	836,096	836,096
Compensated absences	-	82,886	82,886
Total liabilities	813,697	1,856,982	<u>2,670,679</u>
FUND BALANCE			
Reserved for:			
Prepaid items	16,880	(16,880)	-
Capital projects	358,062	(358,062)	-
Wireless surcharge training costs	8,318	(8,318)	-
Unreserved			
Undesignated	1,166,536	(1,166,536)	-
Total fund balance	1,549,796	(1,549,796)	-
Total liabilities and fund balance	<u>\$ 2,363,493</u>		
NET ASSETS			
Invested in capital assets, net of related debt		3,164,212	3,164,212
Restricted for wireless surcharge training costs		8,318	8,318
Unrestricted		1,734,654	1,734,654
Total net assets		<u>\$ 4,907,184</u>	<u>\$ 4,907,184</u>

The accompanying notes are an integral part of this statement.

Muskegon Central Dispatch 9-1-1
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**
 For the year ended September 30, 2008

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
REVENUES			
Property taxes	\$ 1,311,374	\$ -	\$ 1,311,374
Member assessments	1,396,864	-	1,396,864
Emergency telephone surcharge	593,300	-	593,300
Wireless surcharge	273,981	-	273,981
Wireless surcharge training	19,056	-	19,056
Charges for services	18,315	-	18,315
Investment earnings	95,478	-	95,478
Other	57,237	-	57,237
Total revenues	3,765,605	-	3,765,605
EXPENDITURES			
Current			
Personnel	1,759,889	(3,930)	1,755,959
Maintenance and operations	712,534	(59,363)	653,171
Debt service			
Principal	1,472,122	(1,472,122)	-
Interest and fees	128,756	-	128,756
Capital outlay	659,289	(659,289)	-
Depreciation and amortization	-	979,311	979,311
Total expenditures	4,732,590	(1,215,393)	3,517,197
Net change in fund balance—net assets before extraordinary item	(966,985)	1,215,393	248,408
EXTRAORDINARY ITEM			
Loss on arbitration	547,579	-	547,579
Net change in fund balance—net assets	(1,514,564)	1,215,393	(299,171)
Fund balance—net assets at October 1, 2007	3,064,360	2,141,995	5,206,355
Fund balance—net assets at September 30, 2008	\$ 1,549,796	\$ 3,357,388	\$ 4,907,184

The accompanying notes are an integral part of this statement.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Central Dispatch 9-1-1 (Organization), formerly known as Central Operations for Police Services, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

Reporting Entity

The Organization was organized as a joint venture under the provisions of the Urban Cooperation Act of 1967, by several local governmental units within Muskegon County. Its purpose is to provide central dispatch for police and fire protection services to the residents of the participating units. The Organization is governed by representatives from each of the member units. Revenues of the Organization include prorated assessments to member municipalities to cover projected operating expenditures for the ensuing year, an emergency telephone surcharge levied on telephone users and property taxes.

Generally accepted accounting principles require that if the Organization has certain oversight responsibilities over other organizations, those organizations should be included in the Organization's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Organization. The Organization only has governmental activities, which normally are supported by taxes and intergovernmental revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Organization has only one governmental fund, no separate columns have been provided.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, member assessments, telephone surcharges and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Organization.

The Organization reports the following major governmental fund:

The General Fund is the Organization's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Organization reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Organization intends to hold the investment until maturity.

The Organization has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Organization to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

All trade and property tax receivables are shown net of allowance for uncollectibles.

The County processes property taxes. The Organization does not collect taxes for any other taxing units. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Organization to the County for collection. The County advances the Organization all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Organization. The Organization recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Organization totaled approximately \$4,316,000,000. The ad valorem taxes levied consisted of .30 mills for the Organization's general operations. These amounts are recognized in the General Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Proceeds of long-term debt are restricted for capital improvements.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Furniture and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Communications equipment	5-15
Computer equipment	5
Office equipment and furniture	5-15

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

Organization employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 960 hours for employees. Unused sick leave over the maximum accumulation is paid by the Organization at 50 percent of the excess accumulation on December 31 of each year. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The Organization follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 30, the Board of Directors reviews a proposed operating budget submitted by the executive director for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of a resolution.
- c. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Board of Directors.

The appropriated budget is prepared by department. The legal level of budgetary control is the department level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended September 30, 2008, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Overtime	\$ 70,000	\$ 81,075
Contractual services	10,000	68,784
Professional services	204,737	219,242
Debt service - principal	1,360,734	1,472,122
Debt service - interest	116,275	128,756
Capital outlay	251,059	659,289

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Organization does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by a nationally recognized statistical rating organization. The Organization has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Organization does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Organization investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. As of September 30, 2008, \$1,913,929 of the Organization's bank balance of \$2,013,929 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Organization does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Organization is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Capital assets, not being depreciated:				
Construction in progress	\$ 1,937,256	\$ 651,616	\$ 554,584	\$ 2,034,288
Capital assets, being depreciated:				
Communications equipment	806,882	564,390	-	1,371,272
Computer equipment	5,114,665	57,230	450,000	4,721,895
Office equipment and furniture	41,625	-	-	41,625
Total capital assets, being depreciated	5,963,172	621,620	450,000	6,134,792
Less accumulated depreciation:				
Communications equipment	569,276	60,697	-	629,973
Computer equipment	1,837,718	908,309	450,000	2,296,027
Office equipment and furniture	33,219	2,113	-	35,332
Total accumulated depreciation	2,440,213	971,119	450,000	2,961,332
Total capital assets, being depreciated, net	3,522,959	(349,499)	-	3,173,460
Capital assets, net	\$ 5,460,215	\$ 302,117	\$ 554,584	\$ 5,207,748

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE D—CAPITAL ASSETS—Continued

Construction commitments:

At September 30, 2008, the Organization had entered into agreements for equipment upgrades. Below is a summary of the agreements.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Equipment upgrades	\$1,987,191	\$248,922

NOTE E—DEBT ISSUANCE COSTS

Debt issuance cost activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
Debt issuance costs	\$ 58,953	\$ -	\$ -	\$ 58,953
Less accumulated amortization	44,139	8,192	-	52,331
Debt issuance costs, net	<u>\$ 14,814</u>	<u>\$ (8,192)</u>	<u>\$ -</u>	<u>\$ 6,622</u>

NOTE F—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, all deferred revenue was for member assessments received for the subsequent fiscal year.

NOTE G—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Organization for the year ended September 30, 2008.

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008	Due within one year
Contracts payable	\$ 3,164,218	\$ -	\$ 1,472,122	\$ 1,692,096	\$ 856,000
Compensated absences	168,816	113,080	117,010	164,886	82,000
	<u>\$ 3,333,034</u>	<u>\$ 113,080</u>	<u>\$ 1,589,132</u>	<u>\$ 1,856,982</u>	<u>\$ 938,000</u>

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Contracts payable

\$2,839,041 - Contract payable to Muskegon County due in monthly installments of \$50,605 to \$50,632 through December 2008; plus interest at 3.34%	\$ 151,869
\$1,605,959 - Contract payable to Muskegon County due in monthly installments of \$28,811 to \$28,836 through June 2009; plus interest at 4.12%	259,499
\$2,200,000 - Contract payable to Muskegon County due in monthly installments of \$36,564 to \$40,720 through June 2011; plus interest at 5.32%	1,280,728
	1,692,096
Compensated absences	164,886
	\$ 1,856,982

Annual debt service requirements to maturity for debt outstanding as of September 30, 2008, follows:

<u>Year ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 856,000	\$ 64,000
2010	469,000	34,000
2011	367,096	7,537
	\$ 1,692,096	\$ 105,537

The above loans and contracts are collateralized by various equipment held by the Organization. There are a number of limitations and restrictions contained in the various indentures. The Organization is in substantial compliance with all significant limitations and restrictions.

The contracts payable to Muskegon County (County) are part of an agreement in which the Organization has pledged revenue that will be generated from the special property tax millage to repay bank installment loan contracts that the County has obtained in the amount of \$6,645,000, so long as the debt proceeds are for the purchase of equipment and other capital items.

The contracts payable to Muskegon County are identical to the repayment terms of the installment loan contracts that the County has obtained with a bank.

In addition, the Organization has agreed to indemnify and hold the County, its agent, instrumentalities and officers harmless against any liabilities which might be imposed as a result of any deficiency of the funding generated by the property tax millage.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE H—LEASES

The Organization conducts operations in an office facility under an operating lease that expires in June 30, 2012 with the Organization having the option to renew the term of the lease for four successive periods of five years each. The lease requires current monthly rentals of \$2,655 and the payment of certain occupancy costs. Rent expense was \$38,074 for the year ended September 30, 2008. The future minimum lease payments for this lease are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2009	\$ 32,094
2010	33,840
2011	34,142
2012	<u>25,374</u>
	<u>\$ 125,450</u>

NOTE I—OTHER INFORMATION

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Organization manages its liability and property risk as a member of the Michigan Municipal League Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The Organization pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Organization pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Organization carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE I—OTHER INFORMATION—Continued

Contingent Liability and Extraordinary Item

The Organization was in arbitration in a suit initiated in 2007 with a terminated software vendor who had been contracted for the design, implementation and maintenance of a fully integrated public safety system. On November 19, 2008, the Arbitrator adopted the vendor's method for calculating its damages and concluded that the vendor had met its burden of proving those damages. The arbitrator awarded damages together with interest. The Organization also expects to have a claim filed by the vendor for attorney fees. The Organization intends to continue to challenge the award under the avenues of the law and has appealed the decision to the United States District Court.

Damages	\$ 452,579
Estimated interest	20,000
Estimated attorney fees	<u>75,000</u>
	<u>\$ 547,579</u>

The loss has been recorded as an extraordinary item in the Organization's statement of revenues, expenditures and changes in fund balances—statement of activities.

Post-Retirement Health Care

The Organization has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were three retired employees receiving benefits. The Organization finances the Plan on a pay-as-you-go basis. For the year ended September 30, 2008, the Organization's post-retirement health care cost under the Plan was approximately \$6,300.

NOTE J—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Plan

Plan Description. Muskegon Central Dispatch 9-1-1 is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with Muskegon Central Dispatch 9-1-1. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Muskegon Central Dispatch 9-1-1
770 Terrace Street
Muskegon, MI 49440

Funding Policy. Organization employees are required to contribute 4.70 to 7.00 percent to the Plan. The Organization is required to contribute at an actuarially-determined rate depending upon position from 5.07 to 8.62 percent of covered payroll depending upon position. The contribution requirements of plan members and the Organization are established and may be amended by MERS.

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

NOTE J—EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN—Continued

Annual Pension Cost. For the year ended September 30, 2008, the Organization's annual pension cost was approximately \$71,000 which was equal to the Organization's required and actual contribution.

Three-Year Trend Information for MERS

Year ended	Approximate Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/06	\$ 59,000	100 %	\$ -
09/30/07	67,000	100	-
09/30/08	71,000	100	-

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 8.4 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 28 years which will be reduced by one year in each of the next eight valuations until reaching 20 years after which the 20 year period will be reestablished with each annual actuarial valuation.

Deferred Compensation Plan

Muskegon Central Dispatch 9-1-1 offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Total fund balance - governmental funds \$ 1,549,796

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and are not reported in the governmental
funds.

Cost of capital assets	\$ 8,169,080	
Accumulated depreciation	<u>(2,961,332)</u>	5,207,748

Bond issuance costs are not capitalized and amortized
in the governmental funds.

Bond issuance costs	58,953	
Accumulated amortization	<u>(52,331)</u>	6,622

Long-term liabilities in the governmental activities are not
due and payable in the current period and are not reported in
the governmental funds.

Bonds, loans and contracts payable	(1,692,096)	
Compensated absences	<u>(164,886)</u>	<u>(1,856,982)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>4,907,184</u></u>
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Muskegon Central Dispatch 9-1-1
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2008

**NOTE K—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE
FINANCIAL STATEMENTS—Continued**

Statement of Activities are different because: (1,514,564)

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities, these costs are depreciated and amortized over their estimated useful lives.

Depreciation and amortization expense	\$ (979,311)	
Capital outlay	<u>718,652</u>	(260,659)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,472,122

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds. 3,930

Change in net assets of governmental activities \$ (299,171)

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Central Dispatch 9-1-1
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended September 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,323,278	\$ 1,309,681	\$ 1,311,374	\$ 1,693
Member assessments	1,396,862	1,396,862	1,396,864	2
Emergency telephone surcharge	587,000	545,000	593,300	48,300
Wireless surcharge	288,000	282,000	273,981	(8,019)
Wireless surcharge training	18,000	19,056	19,056	-
Charges for services	18,315	18,315	18,315	-
Investment earnings	60,000	70,619	95,478	24,859
Other	200	100	57,237	57,137
Total revenues	3,691,655	3,641,633	3,765,605	123,972
EXPENDITURES				
Current				
Public safety				
Personnel				
Salaries and wages	1,181,284	1,181,284	1,176,748	4,536
Overtime	80,000	70,000	81,075	(11,075)
Payroll taxes	98,259	98,259	98,068	191
Payroll benefits	419,716	406,359	393,398	12,961
Longevity	11,200	10,600	10,600	-
Maintenance and operations				
Printing, paper, supplies and postage	9,250	5,900	5,832	68
Contractual services	4,000	10,000	68,784	(58,784)
Publications and dues	2,150	2,100	1,726	374
Professional services	31,000	204,737	219,242	(14,505)
Communications	20,104	7,000	7,000	-
Telephone	80,000	26,000	23,369	2,631
Conferences, seminars and travel	10,000	5,000	8,718	(3,718)
Advertising	800	550	518	32
Liability insurance	57,000	62,709	50,333	12,376
Utilities	8,000	8,500	11,117	(2,617)
Building maintenance	6,600	6,250	6,214	36
Equipment repairs and maintenance	209,764	237,250	235,659	1,591
Building rental	60,000	47,000	38,074	8,926
Equipment rental	4,000	3,000	2,976	24
Education and training	20,000	18,500	9,579	8,921
Software	2,000	4,300	2,335	1,965
Miscellaneous	2,000	2,000	1,762	238
Administrative charges	21,500	17,500	17,163	337
Relocation	-	2,133	2,133	-
Debt service				
Principal	1,360,734	1,360,734	1,472,122	(111,388)
Interest and fees	116,275	116,275	128,756	(12,481)
Capital outlay	53,000	251,059	659,289	(408,230)
Total expenditures	3,868,636	4,164,999	4,732,590	(567,591)
Net change in fund balance before extraordinary item	(176,981)	(523,366)	(966,985)	(443,619)
EXTRAORDINARY ITEM				
Loss on arbitration	-	-	547,579	(547,579)
Net change in fund balance	\$ (176,981)	\$ (523,366)	(1,514,564)	\$ (991,198)
Fund balance at October 1, 2007			3,064,360	
Fund balance at September 30, 2008			\$ 1,549,796	

Muskegon Central Dispatch 9-1-1
 Required Supplemental Information
SCHEDULE OF FUNDING PROGRESS FOR MERS PENSION PLAN

(Dollar amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/05	\$ 3,463	\$ 3,564	\$ (101)	97 %	\$ 1,029	10 %
12/31/06	3,638	3,966	(328)	92	1,154	28
12/31/07	3,847	4,165	(318)	92	1,088	29

OTHER SUPPLEMENTAL INFORMATION

Muskegon Central Dispatch 9-1-1
General Fund
Schedule of Revenues and Expenditures - Wireless Surcharges
For the year ended September 30, 2008

Accounting for Enhanced 911-Emergency Services for Wireless Telephone Systems

P.A. 81 of 1999 was passed by the legislature in order to provide emergency 911 capability for wireless phones and to finance the new facilities and equipment that might be needed for such improvements through a user fee. It also re-established the Emergency Telephone Service Committee to provide technical assistance in formulating and implementing a 911 plan. The Emergency Telephone Service Committee requires that fees generated by the wireless surcharge be spent only on allowable costs as determined by the committee. Fees are also provided for training that must also be spent only on allowable costs.

The fees generated by the wireless surcharges and the costs of providing those services were as follows for the year ended September 30, 2008:

	Wireless surcharge operating	Wireless surcharge training
Revenues		
Wireless surcharge	\$ 273,981	\$ 19,056
Expenditures		
Salaries and wages	180,124	11,745
Overtime	12,386	4,069
Payroll taxes	15,790	-
Payroll benefits	63,974	-
Longevity	1,707	-
Travel	-	3,929
Education and training	-	8,916
Total expenditures	<u>273,981</u>	<u>28,659</u>
Excess of revenues over (under) expenditures	-	(9,603)
Reserved fund balance at October 1, 2007	<u>-</u>	<u>17,921</u>
Reserved fund balance at September 30, 2008	<u>\$ -</u>	<u>\$ 8,318</u>

In accordance with the act, the excess of revenues over expenditures is shown in the General Fund as reserved for wireless surcharge operating costs and reserved for wireless surcharge training costs.

Muskegon Central Dispatch 9-1-1
General Fund
Schedule of Revenues and Expenditures - Reserved Fund Balance
For the year ended September 30, 2008

Accounting for Millage Proceeds and Unspent Loan Proceeds

On November 5, 2002, the voters of Muskegon County approved a millage for up to .30 mills to provide funding for the operation, including capital improvement, of the Organization. The Organization has borrowed money through contracts payable to Muskegon County to fund capital improvements with the intent of repaying the borrowed money with the funds generated by the millage.

The monies generated by the millage and contracts payable and the corresponding expenditures for capital improvements and debt service were as follows for the year ended September 30, 2008:

	<u>Reserved for Debt Service</u>	<u>Reserved for Capital Projects</u>
Revenues		
Property taxes	\$ 1,311,374	\$ -
Interest	<u>35,786</u>	<u>24,789</u>
Total revenues	1,347,160	24,789
Expenditures		
Professional services	205,519	-
Equipment repair and maintenance	58,250	-
Capital outlay	159,332	490,382
Debt service		
Principal	1,472,122	-
Interest and fees	<u>128,756</u>	<u>-</u>
Total expenditures	<u>2,023,979</u>	<u>490,382</u>
Excess of revenues over (under) expenditures	(676,819)	(465,593)
Reserved fund balance at October 1, 2007	<u>267,306</u>	<u>823,655</u>
Reserved fund balance at September 30, 2008	<u><u>\$ (409,513)</u></u>	<u><u>\$ 358,062</u></u>

Because the contracts payable agreement commits the contract proceeds to specific capital improvements, all unspent contract proceeds are shown as reserved for capital projects. The agreement with the County of Muskegon also provides that the funds generated by the voted millage be used to repay the contracts payable and costs related to the capital improvement project. Since the majority of the money is obligated for debt service, unspent monies generated by the voted millage are shown as reserved for debt service. However, since all millage monies were spent at year end, no such reservation is shown.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2008

Board of Directors
Muskegon Central Dispatch 9-1-1
Muskegon, Michigan

In planning and performing our audit of the financial statements of Muskegon Central Dispatch 9-1-1 as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Muskegon Central Dispatch 9-1-1's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiency, identified as a material weakness, constitutes a material weakness.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



MATERIAL WEAKNESS

Recommendation 1: Budgets should be amended to ensure compliance with State law.

Michigan Public Act 621 of 1978 (Act 621) requires that budgets be amended before any expenditures exceed the budget and that budgets be amended as soon as a deviation is apparent. During our testing, we noted that the Organization had not amended its budget to reflect capital improvements paid from the National City account.

Amending budgets to prevent expenditures from exceeding budget would ensure compliance with Act 621.